

# HOUSE BILL No. 1329

---

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 13-11-2; IC 13-18.

**Synopsis:** Public water and wastewater. Permits a political subdivision to receive financial assistance from the wastewater revolving loan fund and the supplemental drinking water and wastewater assistance fund for certain nonpoint source pollution reduction projects. Establishes reduced rate loans to private entities for those projects financed thorough those funds. Limits the amount available from each fund for those purposes. Designates the budget agency to manage and administer all aspects of the financial assistance programs and directs the budget agency to designate the department of environmental management (IDEM) to manage and administer environmental aspects of the financial assistance programs. Directs the budget agency to fix a budget for aspects of the programs to be managed and administered by IDEM. Voids certain rules of the water pollution control board relating to the programs and directs the budget agency to adopt rules. Repeals provisions that assign joint duties to the budget agency and IDEM with respect to the programs.

**Effective:** July 1, 2002.

---

---

## Weinzapfel

---

---

January 15, 2002, read first time and referred to Committee on Environmental Affairs.

---

---

C  
o  
p  
y



Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

## HOUSE BILL No. 1329

A BILL FOR AN ACT to amend the Indiana Code concerning environmental law.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 13-11-2-142.2 IS ADDED TO THE INDIANA  
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
3 [EFFECTIVE JULY 1, 2002]: **Sec. 142.2. "Nonpoint source", for**  
4 **purposes of this chapter, means:**

5 (1) a pollution source that is not controlled by effluent  
6 limitations established under Section 301, 302, or 402 of the  
7 federal Water Pollution Control Act; or

8 (2) a pollution source identified in a state management plan  
9 produced according to Section 319 of the federal Water  
10 Pollution Control Act;

11 **that is not traceable to a discrete identifiable origin.**

12 SECTION 2. IC 13-11-2-142.4 IS ADDED TO THE INDIANA  
13 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
14 [EFFECTIVE JULY 1, 2002]: **Sec. 142.4. "Nonpoint source pollution**  
15 **reduction project", for purposes of IC 13-18-13, IC 13-18-21, and**  
16 **IC 13-18-22, means a project that results in a reduction of nonpoint**  
17 **source pollution:**



C  
o  
p  
y

- (1) from farm field runoff;
- (2) through restoration of wetlands; or
- (3) through replacement of failing sewage disposal systems with systems that include sewage treatment features.

SECTION 3. IC 13-11-2-172, AS AMENDED BY P.L.132-1999, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 172. (a) "Program", for purposes of IC 13-18-13, refers to:

- (1) the wastewater revolving loan program established by IC 13-18-13-1; and
- (2) use of the wastewater revolving loan fund established by IC 13-18-13-2 to place certificates of deposit for the nonpoint source pollution reduction project loan program under IC 13-18-22.

(b) "Program", for purposes of IC 13-18-21, refers to the drinking water revolving loan program established by IC 13-18-21-1. The term does not include the supplemental program.

(c) "Program", for purposes of IC 13-19-5, refers to the environmental remediation revolving loan program established by IC 13-19-5-1.

(d) "Program", for purposes of IC 13-23, refers to an underground storage tank release:

- (1) detection;
- (2) prevention; and
- (3) correction;

program created in accordance with the requirements of IC 13-23 or IC 13-7-20 (before its repeal).

SECTION 4. IC 13-11-2-201 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 201. "Sewage disposal system", for purposes of **this chapter** and IC 13-18-12, means septic tanks, wastewater holding tanks, seepage pits, cesspools, privies, composting toilets, interceptors or grease traps, portable sanitary units, and other equipment, facilities, or devices used to:

- (1) store;
- (2) treat;
- (3) make inoffensive; or
- (4) dispose of;

human excrement or liquid carrying wastes of a domestic nature.

SECTION 5. IC 13-11-2-227, AS AMENDED BY P.L.132-1999, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 227. "Supplemental program", for purposes of IC 13-18-13 and IC 13-18-21, refers to:

C  
o  
p  
y



(1) the supplemental drinking water and wastewater assistance program established by IC 13-18-21-21; and

**(2) use of the supplemental drinking water and wastewater assistance fund established by IC 13-18-21-22 to place certificates of deposit for the nonpoint source pollution reduction project loan program under IC 13-18-22.**

SECTION 6. IC 13-18-13-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Money in the fund may be used to do the following:

(1) Provide loans or other financial assistance to political subdivisions for:

(A) the planning, designing, construction, renovation, improvement, or expansion of wastewater collection and treatment systems and other activities necessary or convenient to complete these tasks; or

**(B) a nonpoint source pollution reduction project.**

(2) Pay the cost of administering the fund and the program.

**(3) Placement of certificates of deposit for the nonpoint source pollution reduction project loan program under IC 13-18-22.**

(4) Conduct all other activities that are permitted by the federal Clean Water Act.

**(b) For each state fiscal year, the budget agency may use not more than three percent (3%) of the total amount estimated by the budget agency to be available for financial assistance from the fund for the year for the combined purposes of:**

(1) providing loans or other financial assistance to political subdivisions for nonpoint source pollution reduction projects; and

**(2) placing certificates of deposit for the nonpoint source pollution reduction project loan program under IC 13-18-22.**

**(c) Amounts estimated to be available for purposes of subsection (b) for any year that remain unused at the end of the year may be carried forward for use in any subsequent state fiscal year.**

SECTION 7. IC 13-18-13-5.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5.5. (a) Except as provided in subsection (b), the budget agency shall manage and administer all aspects of the program.

**(b) The budget agency shall designate environmental aspects of the program to be managed and administered by the department. When the budget agency makes a designation under this subsection, the budget agency shall direct the department in**



1 writing to manage and administer the designated aspects of the  
2 program.

3 (c) The budget agency shall fix a budget for the aspects of the  
4 program to be:

5 (1) managed and administered by the department under  
6 subsection (b); and

7 (2) funded from:

8 (A) the fund; or

9 (B) a capitalization grant made by the United States  
10 Environmental Protection Agency for the benefit of the  
11 program.

12 SECTION 8. IC 13-18-13-8 IS AMENDED TO READ AS  
13 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8. (a) The ~~department~~  
14 ~~and the~~ budget agency may:

15 (1) provide services to a political subdivision in connection with  
16 a loan or other financial assistance, including advisory and other  
17 services; and

18 (2) charge a fee for services provided.

19 (b) The ~~department and the~~ budget agency may charge a fee for  
20 costs and services incurred in the review or consideration of an  
21 application for a proposed loan or other financial assistance to or for  
22 the benefit of a political subdivision under this chapter, regardless of  
23 whether the application is approved or rejected.

24 (c) A political subdivision may pay fees charged under this section.

25 SECTION 9. IC 13-18-13-9 IS AMENDED TO READ AS  
26 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) The ~~department~~  
27 ~~budget agency~~ shall:

28 (1) considering the recommendation of the department under  
29 subsection (b), develop a priority ranking system for making  
30 loans and providing other financial assistance from the fund;  
31 and

32 (2) use ~~a~~ the priority ranking system developed under  
33 subdivision (1) to ~~recommend~~ make loans or provide other  
34 financial assistance from the fund.

35 (b) The department shall ~~develop~~ recommend to the budget  
36 agency a priority ranking system for making loans and providing  
37 other financial assistance from the fund to achieve optimum water  
38 quality consistent with the water quality goals of the state and the  
39 federal Clean Water Act.

40 (b) Based on the recommendations made under subsection (a), the  
41 budget agency may make loans and provide other financial assistance  
42 from the fund to or for the benefit of political subdivisions.



SECTION 10. IC 13-18-13-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. The budget agency may make loans or provide other financial assistance from the fund to or for the benefit of a political subdivision under the following conditions:

- (1) The loan or other financial assistance must be used:
  - (A) for planning, designing, constructing, renovating, improving, or expanding wastewater collection and treatment systems and other activities necessary or convenient to complete these tasks;
  - (B) to:
    - (i) establish reserves or sinking funds; or
    - (ii) provide interest subsidies;
  - (C) to pay financing charges, including interest on the loan or other financial assistance during construction and for a reasonable period after the completion of construction; ~~or~~
  - (D) to pay the following:
    - (i) Consultant, advisory, and legal fees.
    - (ii) Any other costs or expenses necessary or incident to the loan, other financial assistance, or the administration of the fund and the program; **or**
- (E) for nonpoint source pollution reduction projects.**
- (2) Subject to section 15 of this chapter, upon recommendation of the budget agency the state board of finance shall establish the interest rate or parameters for establishing the interest rate on each loan, including parameters for establishing the amount of interest subsidies.
- (3) The budget agency shall establish the terms and conditions that the budget agency considers necessary or convenient to:
  - (A) make loans; or
  - (B) provide other financial assistance under this chapter.

SECTION 11. IC 13-18-13-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 18. **(a)** The water pollution control board and the budget agency may ~~jointly~~ adopt rules under IC 4-22-2, including emergency rules under IC 4-22-2-37.1, to implement this chapter.

**(b) All rules adopted by the board to implement this chapter are void. The publisher of the Indiana Administrative Code shall remove these rules from the Indiana Administrative Code.**

**(c) All rules adopted by the budget agency before July 1, 2002, are void to the extent that the rules designate the department to manage or administer any aspect of the program.**



C  
o  
p  
y

SECTION 12. IC 13-18-13-19 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 19. (a) Notwithstanding any other law, a political subdivision may borrow money from the budget agency by negotiating a loan or other financial assistance directly and without complying with requirements for the competitive sale of bonds, notes, or other obligations or evidences of indebtedness. A political subdivision shall observe any existing contractual commitments to bondholders or other persons when entering into a financial assistance agreement.

(b) Notwithstanding any other law, a political subdivision may issue and sell its notes, the principal and accrued interest on which shall be paid with proceeds from the issuance of its bonds or other available money at the time the notes are due. The notes must be issued pursuant to a resolution or ordinance and the proceeds must be used to carry out the purposes specified in this chapter.

(c) A political subdivision that issues notes under subsection (b) or IC 4-23-21-13 (before its repeal) may renew or extend the notes periodically on terms agreed to with the budget agency, and the budget agency may purchase and sell the renewed or extended notes. Accrued interest on the date of renewal or extension may be paid or added to the principal amount of the note being renewed or extended.

(d) The notes issued by a political subdivision under subsection (b), including any renewals or extensions, must mature:

(1) in the amounts; and

(2) at the times not exceeding four (4) years from the date of original issuance;

that are agreed to by the political subdivision and the budget agency.

(e) Compliance with subsection (b) constitutes full authority for a political subdivision to issue its notes and sell the notes ~~to the department and the budget agency, for the benefit of the program,~~ and the political subdivision is not required to comply with any other law applicable to the authorization, approval, issuance, and sale of its notes. These notes are:

(1) valid and binding obligations of the political subdivision;

(2) enforceable in accordance with the terms of the notes; and

(3) payable solely from the sources specified in the resolution or ordinance authorizing the issuance of the notes.

(f) If the political subdivision issues bonds, all or part of the proceeds of which will be used to pay the notes issued under subsection (b), neither:

(1) the provisions of this section; nor

(2) the actual issuance by a political subdivision of notes under

C  
o  
p  
y



subsection (b);  
relieves the political subdivision of the obligation to comply with the  
statutory requirements for the issuance of bonds.

SECTION 13. IC 13-18-21-3, AS AMENDED BY P.L.132-1999,  
SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
JULY 1, 2002]: Sec. 3. (a) Money in the fund may be used to do the  
following:

(1) Provide loans or other financial assistance to participants for  
the:

(A) planning;

(B) designing;

(C) construction;

(D) renovation;

(E) improvement;

(F) expansion; or

(G) any combination of clauses (A) through (F);

for public water systems that will facilitate compliance with  
national primary drinking water regulations applicable to public  
water systems under the federal Safe Drinking Water Act (42  
U.S.C. 300f et seq.) or otherwise significantly further the health  
protection objectives of the federal Safe Drinking Water Act (42  
U.S.C. 300f et seq.) and other activities necessary or convenient  
to complete these tasks.

(2) Except as provided in the federal Safe Drinking Water Act (42  
U.S.C. 300f et seq.), pay the cost of administering the fund and  
the program.

(3) Conduct all other activities that are allowed by the federal  
Safe Drinking Water Act (42 U.S.C. 300f et seq.).

(b) Notwithstanding section 2(g) of this chapter, if an adequate state  
match is available, the ~~department and the~~ budget agency ~~shall may~~  
use **not more than** two percent (2%) of the funds allotted to the state  
under 42 U.S.C. 300j-12 to provide technical assistance to participants  
for public water systems serving not more than ten thousand (10,000)  
persons in Indiana. The ~~department and the~~ budget agency may ~~jointly~~  
contract with a person or persons to provide the technical assistance.  
Funds used under this subsection may not be used for enforcement  
actions.

(c) To the extent permitted by this chapter, fifteen percent (15%) of  
the amount credited to the fund in a state fiscal year shall be available  
solely for providing loan assistance to participants for public water  
systems regularly serving less than ten thousand (10,000) persons in  
Indiana to the extent that the money can be obligated for eligible



C  
o  
p  
y

1 projects under the federal Safe Drinking Water Act (42 U.S.C. 300f et  
2 seq.).

3 (d) To avoid the loss of money allotted to the state under 42 U.S.C.  
4 300j-12 et seq., the budget agency and the department shall develop  
5 and implement a strategy to assist participants in acquiring and  
6 maintaining technical, managerial, and financial capacity as  
7 contemplated by 42 U.S.C. 300g-9. This is all the legal authority  
8 required by the state for the budget agency and the department to  
9 ensure that all new community water systems and new nontransient,  
10 noncommunity water systems, as contemplated by the federal Safe  
11 Drinking Water Act (42 U.S.C. 300f et seq.), commencing operations  
12 after October 1, 1999, demonstrate technical, managerial, and financial  
13 capacity with respect to each federal primary drinking water regulation  
14 in effect on the date operations commence. ~~The department has primary~~  
15 ~~responsibility to carry out this subsection.~~

16 (e) This chapter does not require the budget agency to provide a  
17 loan or other financial assistance to any participant that would cause  
18 any bonds or other obligations issued to finance the program to lose  
19 their exemption from federal income taxation.

20 SECTION 14. IC 13-18-21-4 IS AMENDED TO READ AS  
21 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. ~~The department and~~  
22 ~~the~~ budget agency shall administer and manage the fund and program  
23 in accordance with this chapter.

24 SECTION 15. IC 13-18-21-5.5 IS ADDED TO THE INDIANA  
25 CODE AS A NEW SECTION TO READ AS FOLLOWS  
26 [EFFECTIVE JULY 1, 2002]: Sec. 5.5. (a) **Except as provided in**  
27 **subsection (b), the budget agency shall manage and administer all**  
28 **aspects of the program.**

29 (b) **The budget agency shall designate environmental aspects of**  
30 **the program to be managed and administered by the department.**  
31 **When the budget agency makes a designation under this**  
32 **subsection, the budget agency shall direct the department in**  
33 **writing to manage and administer the designated aspects of the**  
34 **program.**

35 (c) **The budget agency shall fix a budget for the aspects of the**  
36 **program to be:**

37 (1) **managed and administered by the department under**  
38 **subsection (b); and**

39 (2) **funded from:**

40 (A) **the fund; or**

41 (B) **a capitalization grant made by the United States**  
42 **Environmental Protection Agency for the benefit of the**

C  
o  
p  
y



1 **program.**

2 SECTION 16. IC 13-18-21-8, AS AMENDED BY P.L.132-1999,  
3 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4 JULY 1, 2002]: Sec. 8. (a) The ~~department and the~~ budget agency may:

5 (1) provide services to a participant in connection with a loan or  
6 other financial assistance, including advisory and other services;  
7 and

8 (2) charge a fee for services provided.

9 (b) The ~~department and the~~ budget agency may charge a fee for  
10 costs and services incurred in the review or consideration of an  
11 application for a proposed loan or other financial assistance under this  
12 chapter to or for the benefit of a participant, regardless of whether the  
13 application is approved or rejected.

14 (c) A political subdivision may pay fees charged under this section.

15 SECTION 17. IC 13-18-21-9, AS AMENDED BY P.L.132-1999,  
16 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
17 JULY 1, 2002]: Sec. 9. (a) The ~~department~~ **budget agency** shall:

18 **(1) considering the recommendation of the department under**  
19 **subsection (b), develop a priority ranking system for making**  
20 **loans and providing other financial assistance from the fund;**  
21 **and**

22 **(2) use a the priority ranking system developed under**  
23 **subdivision (1) to recommend make loans or provide other**  
24 **financial assistance from the fund.**

25 **(b) The department shall ~~develop~~ recommend to the budget**  
26 **agency a priority ranking system for making loans and providing**  
27 **other financial assistance from the fund** consistent with federal  
28 primary drinking water regulations and health protection objectives of  
29 the federal Safe Drinking Water Act (42 U.S.C. 300f et seq.).

30 ~~(b) Based on the recommendations made under subsection (a), the~~  
31 ~~budget agency may make loans and provide other financial assistance~~  
32 ~~from the fund to or for the benefit of participants.~~

33 SECTION 18. IC 13-18-21-18 IS AMENDED TO READ AS  
34 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 18. **(a)** The water  
35 pollution control board and the budget agency may ~~jointly~~ adopt rules  
36 under IC 4-22-2, including emergency rules under IC 4-22-2-37.1, to  
37 implement this chapter.

38 **(b) All rules adopted by the board to implement this chapter are**  
39 **void. The publisher of the Indiana Administrative Code shall**  
40 **remove these rules from the Indiana Administrative Code.**

41 **(c) All rules adopted by the budget agency before July 1, 2002,**  
42 **are void to the extent that the rules designate the department to**

C  
o  
p  
y



1 **manage or administer any aspect of the program.**

2 SECTION 19. IC 13-18-21-19 IS AMENDED TO READ AS  
3 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 19. (a) Notwithstanding  
4 any other law, a political subdivision may borrow money under this  
5 chapter by negotiating a loan or other financial assistance directly and  
6 without complying with requirements for the competitive sale of bonds,  
7 notes, or other obligations or evidences of indebtedness. A political  
8 subdivision shall observe any existing contractual commitments to  
9 bondholders or other persons when entering into a financial assistance  
10 agreement.

11 (b) Notwithstanding any other law, a political subdivision may issue  
12 and sell notes, the principal and accrued interest on which shall be paid  
13 with proceeds from the issuance of bonds or other available money at  
14 the time the notes are due. The notes must be issued under a resolution  
15 or ordinance and the proceeds must be used to carry out the purposes  
16 specified in this chapter.

17 (c) A political subdivision that issues notes under subsection (b)  
18 may renew or extend the notes periodically on terms agreed to with the  
19 budget agency, and the budget agency may purchase and sell the  
20 renewed or extended notes. Accrued interest on the date of renewal or  
21 extension may be paid or added to the principal amount of the note  
22 being renewed or extended.

23 (d) The notes issued by a political subdivision under subsection (b),  
24 including any renewals or extensions, must mature:

- 25 (1) in the amounts; and  
26 (2) at the times not exceeding four (4) years from the date of  
27 original issuance;  
28 that are agreed to by the political subdivision and the budget agency.

29 (e) Compliance with subsection (b) constitutes full authority for a  
30 political subdivision to issue notes and sell the notes ~~to the department~~  
31 **and the budget agency, for the benefit of the program**, and the  
32 political subdivision is not required to comply with any other law  
33 applicable to the authorization, approval, issuance, and sale of the  
34 notes. The notes are:

- 35 (1) valid and binding obligations of the political subdivision;  
36 (2) enforceable in accordance with the terms of the notes; and  
37 (3) payable solely from the sources specified in the resolution or  
38 ordinance authorizing the issuance of the notes.

39 (f) If the political subdivision issues bonds, all or part of the  
40 proceeds of which will be used to pay notes issued under subsection  
41 (b), the:

- 42 (1) provisions of this section; or

C  
o  
p  
y



(2) actual issuance by a political subdivision of notes under subsection (b);  
do not relieve the political subdivision of the obligation to comply with the statutory requirements for the issuance of bonds.

SECTION 20. IC 13-18-21-23, AS AMENDED BY P.L.55-2001, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 23. **(a)** Money in the supplemental fund may be used to do the following:

(1) Provide grants, loans, or other financial assistance to or for the benefit of participants for the planning, designing, acquisition, construction, renovation, improvement, or expansion of public water systems and other activities necessary or convenient to complete these tasks, whether or not those other activities are permitted by the federal Clean Water Act or the federal Safe Drinking Water Act.

(2) Provide grants, loans, or other financial assistance to or for the benefit of political subdivisions for:

**(A)** the planning, designing, acquisition, construction, renovation, improvement, or expansion of wastewater or storm water collection and treatment systems;

**(B) nonpoint source pollution reduction projects; and**

**(C)** other activities necessary or convenient to complete these tasks, whether or not those other activities are permitted by the federal Clean Water Act or the federal Safe Drinking Water Act.

(3) Provide grants to political subdivisions for tasks associated with the development and preparation of:

(A) long term control plans;

(B) use attainability analyses; and

(C) storm water management programs.

(4) Pay the cost of administering the supplemental fund and the supplemental program.

**(5) Place certificates of deposit for the nonpoint source pollution reduction project loan program under IC 13-18-22.**

**(6)** Conduct all other activities that are permitted by the federal Clean Water Act or the federal Safe Drinking Water Act.

**(b) For any state fiscal year, the budget agency may use not more than three percent (3%) of the amount estimated by the budget agency to be available for financial assistance from the supplemental fund for the year for the combined purposes of:**

**(1) providing loan assistance to political subdivisions for nonpoint source pollution reduction projects; and**

C  
O  
P  
Y



1           **(2) placing certificates of deposit for the nonpoint source**  
 2           **pollution reduction project loan program under IC 13-18-22.**  
 3           **(c) Amounts estimated to be available for purposes of subsection**  
 4           **(b) for any year that remain unused at the end of the year may be**  
 5           **carried forward for use in any subsequent state fiscal year.**

6           SECTION 21. IC 13-18-21-25, AS AMENDED BY P.L.55-2001,  
 7           SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 8           JULY 1, 2002]: Sec. 25. (a) The budget agency may make grants or  
 9           loans or provide other financial assistance from the supplemental fund  
 10          for the benefit of a participant under the following conditions:

11          (1) A grant, loan, or other financial assistance may be used:

12           (A) for planning, designing, acquiring, constructing,  
 13           renovating, improving, or expanding public water systems, and  
 14           other activities necessary or convenient to complete these  
 15           tasks;

16           (B) to:

17           (i) establish reserves or sinking funds; or

18           (ii) provide interest subsidies;

19           (C) to pay financing charges, including interest on the loan  
 20           during construction and for a reasonable period after the  
 21           completion of construction; or

22           (D) to pay the following:

23           (i) Consultant, advisory, and legal fees.

24           (ii) Other costs or expenses necessary or incident to the  
 25           grant, loan, or other financial assistance or the  
 26           administration of the supplemental fund or the supplemental  
 27           program.

28          (2) The budget agency must establish the terms and conditions  
 29          that the budget agency considers necessary or convenient to make  
 30          grants or loans or provide other financial assistance under this  
 31          chapter.

32          (b) In addition to its powers under subsection (a), the budget agency  
 33          may also make grants or loans or provide other financial assistance  
 34          from the supplemental fund to or for the benefit of a political  
 35          subdivision under the following conditions:

36          (1) A grant, loan, or other financial assistance may be used:

37           (A) for planning, designing, acquiring, constructing,  
 38           renovating, improving, or expanding wastewater or storm  
 39           water collection and treatment systems **and nonpoint source**  
 40           **pollution reduction projects** and other activities necessary or  
 41           convenient to complete ~~these the~~ tasks **referred to in this**  
 42           **clause.**

C  
o  
p  
y



(B) to:

- (i) establish reserves or sinking funds; or
- (ii) provide interest subsidies;

(C) to pay financing charges, including interest on the loan during construction and for a reasonable period after the completion of construction; or

(D) to pay the following:

- (i) Consultant, advisory, and legal fees.
- (ii) Other costs or expenses necessary or incident to the grant, loan, or other financial assistance or the administration of the supplemental fund or the supplemental program.

(2) A grant may be used for tasks associated with the development and preparation of:

- (A) long term control plans;
- (B) use attainability analyses; and
- (C) storm water management programs.

(3) The budget agency must establish the terms and conditions that the budget agency considers necessary or convenient to make grants or loans or provide other financial assistance under this chapter.

SECTION 22. IC 13-18-22 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

**Chapter 22. Nonpoint Source Pollution Reduction Project Loan Program**

**Sec. 1. (a) A financial institution may apply to the budget agency for eligibility to receive certificates of deposit under section 6 of this chapter. Upon receipt of the application, the budget agency shall:**

- (1) review the applicant's ability to comply with this chapter; and**
- (2) based on the review, accept or reject the application.**

**(b) A financial institution approved to receive certificates of deposit under section 6 of this chapter shall accept and review applications for loans under section 2 of this chapter from private entities for nonpoint source pollution reduction projects. A financial institution shall apply usual lending standards to determine the credit worthiness of each loan applicant and may:**

- (1) reject a loan application; or**
- (2) preliminarily approve a loan application, subject to final approval by the budget agency under section 6 of this chapter.**



C  
o  
p  
y

1       **Sec. 2. (a)** A private entity may apply to a financial institution  
 2 approved under section 1 of this chapter for a loan for a nonpoint  
 3 source pollution reduction project.

4       **(b)** On its loan application under subsection (a), a private entity  
 5 shall:

6           (1) identify the nonpoint source pollution reduction project  
 7 for which the loan is intended; and

8           (2) certify that the reduced rate loan will be used exclusively  
 9 for that project.

10       **Sec. 3.** A financial institution that receives a loan application  
 11 under section 2 of this chapter shall forward the loan application  
 12 to:

13           (1) the budget agency in the form and manner prescribed by  
 14 the budget agency; and

15           (2) the department in the form and manner prescribed by the  
 16 department.

17       **Sec. 4.** The department shall recommend to the budget agency  
 18 a priority ranking system for approving loans under this chapter  
 19 to achieve optimum water quality consistent with the water quality  
 20 goals of the state and the federal Clean Water Act.

21       **Sec. 5.** The budget agency shall:

22           (1) considering the recommendation of the department under  
 23 section 4 of this chapter, develop a priority ranking system for  
 24 approving loans under this chapter; and

25           (2) use the priority ranking system developed under  
 26 subdivision (1) in approving loans under this chapter.

27       **Sec. 6. (a)** The budget agency may accept or reject:

28           (1) a loan application received under section 3 of this chapter;  
 29 or

30           (2) any part of the application.

31       **(b)** Upon acceptance of a loan application received under section  
 32 3 of this chapter or any part of the application, the budget agency  
 33 shall place a certificate of deposit with the financial institution at  
 34 three percent (3%) below current market rates, as determined and  
 35 calculated by the budget agency. The budget agency shall transfer  
 36 funds for the certificate of deposit from:

37           (1) the wastewater revolving loan fund established by  
 38 IC 13-18-13-2; or

39           (2) the supplemental drinking water and wastewater  
 40 assistance fund established by IC 13-18-21-22.

41       **(c)** The budget agency may place a certificate of deposit with a  
 42 financial institution before acceptance of a loan application.

C  
o  
p  
y



(d) The financial institution in which a certificate of deposit is placed under this section shall enter into a deposit agreement with the budget agency that includes:

- (1) the period in which the financial institution is to lend funds as provided in section 7 of this chapter upon the placement of the certificate of deposit;
- (2) the interest payment schedule determined by the budget agency;
- (3) a provision for the certificate of deposit to be placed for a maturity of not more than two (2) years, as determined by the budget agency;
- (4) a provision for the certificate of deposit to be renewed for up to two (2) years at the option of the budget agency; and
- (5) any other provisions required by the budget agency.

Sec. 7. (a) Upon the placement of a certificate of deposit with a financial institution under section 6 of this chapter, the financial institution shall lend the funds received for the certificate of deposit to each approved private entity listed in the loan application in accordance with the deposit agreement required by section 6 of this chapter. The loan shall be at three percent (3%) below current market rates, as determined and calculated by the budget agency.

(b) A financial institution in which a certificate of deposit is placed under section 6 of this chapter shall certify compliance with this chapter to the budget agency in the form and manner prescribed by the budget agency.

Sec. 8. The budget agency shall:

- (1) take all steps necessary to implement the loan program under this chapter; and
- (2) monitor compliance of financial institutions and loan recipients.

Sec. 9. The budget agency shall report annually before January 10 on the loan program under this chapter for the preceding calendar year to:

- (1) the governor; and
- (2) the legislative council.

Sec. 10. (a) The state and the budget agency are not liable to any financial institution in any manner for payment of the principal or interest on the loan to a private entity under this chapter.

(b) Any delay in payments or default on the part of a private entity does not affect the deposit agreement under section 6 of this chapter.

C  
O  
P  
Y



1 SECTION 23. THE FOLLOWING ARE REPEALED [EFFECTIVE  
2 JULY 1, 2002]: IC 13-18-13-4; IC 13-18-13-5; IC 13-18-13-6;  
3 IC 13-18-21-5; IC13-18-21-6.

4 SECTION 24. [EFFECTIVE JULY 1, 2002] (a) **The budget agency**  
5 **shall adopt rules before January 1, 2004, to implement:**

- 6 (1) **IC 13-18-22, as added by this act; and**  
7 (2) **IC 13-18-13 and IC 13-18-21, both as amended by this act.**  
8 (b) **This SECTION expires January 1, 2004.**

C  
o  
p  
y

